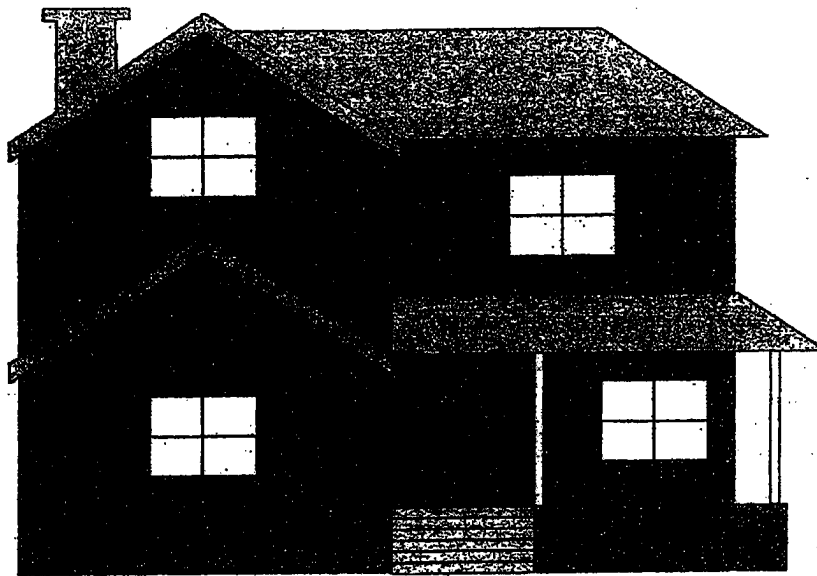


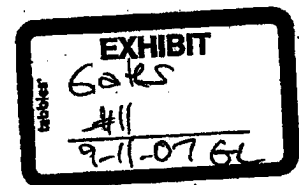
# H2BC



## Mortgage Corporation (USA) Retail Loan Consultant Incentive Plan



### *Plan Document & Policy Guide*



*This is not an employment contract. Participation in this plan or receipt of award payment does not constitute a contract of employment. The plan does not give any employee a right or claim to an award under the program. Management reserves the right to change or discontinue the plan at any time without prior notification.*

## **HSBC Mortgage Corp. (USA) Retail Loan Consultant Incentive Plan Document & Policy Guide for 2005**

### **Introduction**

Profitable growth will remain a key success factor of HSBC Mortgage Corp. (USA) in 2005. The HSBC Mortgage Corp. (USA) Retail Loan Consultant Incentive Plan (the "Plan") is designed to reward Retail Loan Consultants for their individual contribution to HSBC Mortgage Corp. (USA) achievements and for attaining and exceeding our defined business goals. Retail Loan Consultants play a key role in the overall sales and growth efforts of HSBC Mortgage Corp. (USA).

These positions significantly influence our company's ability to generate new, profitable sales volume. As such, they are considered "highly leveraged". This means the compensation package is comprised of an unlimited earning potential through this Plan, which rewards and recognizes the level of contribution the Retail Loan Consultants make to our overall success.

Our philosophy is to ensure our compensation system rewards the top performers who demonstrate a continued commitment to achieve and exceed our corporate objectives of profitable growth and customer care, as such, this incentive Plan will have an unlimited earnings opportunity. The greater the performance the more the individual will earn.

The following material describes the Plan and how it works. This Plan is not an employee contract and modifications can be made by HSBC Mortgage Corp. (USA) at any time to adjust for changing business strategy, which may result in changes to the plan's goals or impacts.

### **Plan Period**

The Plan period covered is January 1, 2005 through December 31, 2005. All previous incentive plans for the HSBC Mortgage Corp. (USA) Retail Loan Consultants are superseded and terminated by this Plan.

### **Eligibility**

All HSBC Mortgage Corp. (USA) Retail Loan Consultants are eligible to participate in this incentive plan. A Participant in this Plan will not be eligible to participate in any other incentive plan of HSBC Mortgage Corp. (USA) or any affiliate. Participants agree to and accept all the provisions, terms and conditions of the Plan.

### **How the Plan Works**

Retail Loan Consultants will have the opportunity to participate and earn Incentive Awards under this Plan that has been tailored to support the HSBC Mortgage Corp. (USA) Sales department's business strategy

A bi weekly supplement called a "Draw" represents the recoverable advance against Incentive Awards. Incentive Awards under the Plan are reduced by the amount of the Draw. A draw will only be considered non-recoverable during established probation periods.

It may be possible that a Loan Consultant will receive an additional bi weekly supplement called an "Enhanced Draw". An Enhanced Draw represents a recoverable advance against Incentive Awards. Incentive Awards under the Plan are reduced by the amount of the Enhanced Draw. Eligibility for an Enhanced Draw is based upon historical performance of Incentive Awards earned and must be approved by the Plan Administrator and the applicable level of management

Retail Loan Consultants have the opportunity to earn unlimited Incentive Awards calculated as basis points on funded dollar volume or units (minus any applicable Draw/Enhanced Draw). The basis points paid on funded dollar volume are established in tiered increments, which increase based on achieving increased volume levels. The following is the Awards Schedule:

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Loan Type	Funded Drawn Volume Dollars	Funded Number of Loans	Basis Points	Percentage Equivalent
ALL	0 - \$750,000	0 - 5	40 bp	.004%
ALL	\$750,001 - \$1,750,000	6 - 10	50 bp	.005%
ALL	\$1,750,001 - \$3,500,000	11 - 15	60 bp	.006%
ALL	\$3,500,001 and above	16 and above	65 bp	.0065%

NOTE: Individual loans greater than \$1,500,000 will receive a maximum credit of \$1,500,000 towards incentive award calculations.

**A Participant's Incentive Award under the Plan is calculated as follows:**

- A. Equals the Participant's dollar amount of unit count of funded First Mortgage Funded Loan Volume and the dollar amount of capital withdrawn at closing for HELOCS and HELOANS for the month.
- B. Equals the Participant's basis points for the month with respect to First Mortgages Funded Loan Volume and the dollar amount of capital withdrawn at closing for HELOCS and HELOANS as specified by the Participant's Commission Schedule, based on the lowest threshold achieved between volume and number of loans. A \$100 minimum payment on HELOCS will be provided.
- C. Equals 10 additional basis points (.001%) for the month in respect to those loans which have CRA/ALTA/FHA and/or VA products which have funded. Management and the Plan Administrator will determine the specifications used in defining the products above.
- D. Equals 30 basis points (.003%) for the month in respect to those loans resulting from secondary referrals;
- E. Equals 30 basis points (.003%) for the month in respect to those Refinance loans classified as Super Doc or Doc Saver.
- F. Equals \$100 for the month in respect to those HELOC loans which are not drawn upon at closing;
- G. Equals \$50 for the month in respect to the number of Extra Advantage checking accounts opened during the month;
- H. Equals payment for additional cross sell initiatives as set forth by Management.
- I. Equals the Participant's Draw/Enhanced Draw for the month (if any) determined in accordance with standard Bank or HSBC procedure.

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Monthly Incentive Awards for Participants shall be equal to the following calculation:

$$(A * B) + C + D + E + F + G + H - I$$

If for any month a Participant does not originate enough loan volume (both first mortgage and home equity) and net contribution to cover his or her Draw/Enhanced Draw, the deficit balance shall be carried forward to subsequent months and Incentive Awards for the subsequent months will be reduced by any remaining deficit, until the full deficit is recovered.

**Example A:**

Participant's First Mortgage and HELOC/HELOAN Loan Volume = \$740,000

Enhanced Draw = None

$\$740,000 * .004 = \$2,800$  incentive Award

**Example B:**

First Mortgage and HELOC/HELOAN Loan Volume = \$2,500,000, Unit Count = 17

Enhanced Draw = \$1,000

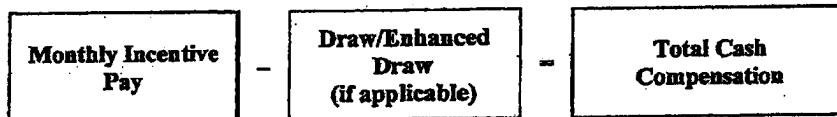
$(\$2,500,000 * .0065) - \$1,000 = \$15,250$  Incentive Award

### Total Cash Compensation

The Retail Loan Consultant Incentive Plan was designed to recognize the employee's contribution to the company's success by linking a significant part of their total cash compensation with individual performance and rewarding them for superior results.

Retail Loan Consultants are eligible to participate in an incentive program that is tailored to and supportive of HSBC Mortgage Corp. (USA) business goals. We believe this program recognizes the importance of the Retail Loan Consultant's role and their potential impacts on HSBC's success.

The compensation program consists of these components



### Plan Policies and Terminology/Definitions

**Annual Merit Reviews**

Although annual performance reviews will be conducted annually, Retail Loan Consultants eligible to participate in the Plan will not be eligible to receive regular annual merit increases.

The Loan Consultant position is considered "highly leveraged." As such, the Plan is designed to recognize and pay high performers substantially better than our competition. HSBC Mortgage Corp. (USA) regularly reviews the market conditions to ensure a competitive compensation package is in place.

As a result of HSBC Mortgage Corp. (USA's) regular review of the total cash compensation package, incentive opportunity adjustments will occur when appropriate.

## **HSBC Mortgage Corp. (USA) Retail Loan Consultant Incentive Plan Document & Policy Guide for 2005**

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All employees will conduct themselves in the highest ethical manner to include adherence to all company, business unit, and department policies, procedures, and guidelines.

### *House Account*

Shall mean a Retail Loan originated by a Participant as a result of an identified request from the management of the Bank or HSBC where unique pricing or underwriting concessions have been made. These loans will not be eligible to receive a commission.

### *Leave of Absence (LOA)-*

A Participant placed on an approved leave of absence will receive the following:

1. Incentive Awards will be paid which result from Retail First Mortgage Funded Loan Volume and the dollar amount of capital withdrawn at closing for HELOCS and HELOANS generated by the Participant prior to commencement of the LOA. These Incentive Awards will be offset against any deficits, which existed at the beginning of the approved LOA.
2. No deficits will be created during the LOA, nor will a Draw be applied. All Enhanced Draws will be removed upon notification of LOA.
3. Once the Participant returns from the approved LOA, the Enhanced Draw will be reestablished, if applicable. A non-recoverable period may be established upon a return from LOA at management's discretion.

### *New Hires/Reinstatements/Transfers*

Newly hired, rehired, or employees who transfer into the Loan Consultant position will be eligible to participate in the Plan immediately upon their hire/transfer date provided their participation is approved by the Human Resource Department.

### *Participant*

Shall mean a Retail Loan Consultant whose participation in the Plan has been approved by the Human Resource Department.

### *Pipeline*

Shall mean rate locked loan applications taken in process but not yet closed and funded.

### *Plan Administrator*

Shall mean the person or persons designated by HSBC Mortgage Corp. (USA) to administer the Plan. The Plan Administrator shall adopt such rules and regulations for administration of the Plan as he or she deems advisable, conclusively interpret the Plan and such rules and regulations, and conclusively decide all issues regarding the Plan.

### *Retail Loan*

Shall mean any mortgage loan or home equity loan or line of credit, which are originated concurrently or independently.

### *Secondary Referral Account*

Shall mean a Retail Loan originated by a Participant as a result of a discretionary rate or point discount initiated by a Participant under an approved secondary marketing pricing program.

### *Temporary Employees*

Temporary employees are not eligible to participate in the Plan. If a temporary employee becomes a regular employee, the employee will be treated as a new hire (see New Hires/Reinstatements/Transfers).

### *Terminations/Transfers Out of HSBC Mortgage Corp. (USA)*

The employment of a Participant with HSBC Mortgage Corp. (USA) and the participation of a Participant in the Plan may be terminated at any time. No promise or representation, either express or implied, is made with respect to continued employment, transfer or promotion because of participation in the Plan. A Participant's participation in the Plan shall terminate upon termination of his or her employment with HSBC Mortgage Corp. (USA). For any reason, if a Participant's employment with HSBC Mortgage Corp.

## HSBC Mortgage Corp. (USA) Retail Loan Consultant Incentive Plan Document & Policy Guide for 2005

(USA) terminates before the end of a month the Participant shall receive unpaid Incentive Awards on loans funded through the date of termination, unless such was on account of the Participant's death, normal retirement at or after age 65 or permanent disability as determined by the Plan Administrator. Transfer of a Participant to another department of HSBC Mortgage Corp. (USA), or to the employ of a subsidiary, parent or affiliated corporation of HSBC Bank USA shall not constitute a termination of employment with HSBC Mortgage Corp. (USA) for purposes of this Plan; provided, however, that in the event of such a transfer, the transferred Participant shall only be eligible to be awarded Incentive Awards with respect to loans that fund during the Month in which such transfer occurs.

*For example, if an Loan Consultant terminates his/her employment on August 17<sup>th</sup>, they are eligible for any incentive earned during the month of July (which would be paid during the month of August) and they are eligible for any incentive earned during the month of August (which would be paid during the month of September) after applicable draw/enhanced draw amounts are deducted.*

### **Transferred Pipeline-**

Shall mean the Pipeline applicable to an individual Participant who has resigned or been terminated with HSBC. This Transferred Pipeline may be allocated to one or more other Participants if the Loans are transferred prior to a Submission Approved ( Status Code < 3400 ). These Loans will be eligible for Commissions in accordance with the Sales Commissions Schedule

Loans that fall within Status Code equal to 3400 (Submission Approved) < 4050 (Authorized to Close) require the approval of the Senior Management prior to transfer. In no case shall a loan be transferred with a Status Code of 4050 (Authorized to Close) or greater. In addition, a Commission will not be paid on the same loan to different Participants.

### **VIP Loans-**

Shall refer to those loans where the fees on the loan have been partially or totally waived for customers who have a significant bank relationship. The Loan Consultant's commissions will be reduced by the amount of the fees waived due to the late submission of the VIP document according to HSBC's operational procedure. It is the Participant's responsibility to ensure a VIP form is submitted before the closing of the loan and must be properly authorized. Participant's may not waive appraisal or credit report fees. Commitment and Origination fees cannot be waived on a Secondary Referral Loan and will be deducted from the Participant's Commissions.

### **Deductions for Withdrawn and Declined Loans**

If the Bank or HSBC incurs a loss or expense in connection with the sale of a Retail Loan or Bank Product as a result of an error or omission of a Participant (any such occurrence is herein referred to as a " Reportable Event "). in addition to any other action which the Bank or HSBC deems appropriate, the following deductions from Commissions shall be made. Upon the occurrence of a Participant's Reportable Event a Participant's Commissions shall be reduced by an amount equal to the loss or expense incurred by the Bank or HSBC as a result of the Reportable Event. If necessary, such reduction shall carry forward to Commissions payable to the Participant in future months. Without limiting the generality of the foregoing, any application fees, appraisal and credit reports fees which are waived or are expensed on withdrawn or declined loans due to the Participant not collecting at application will be deducted from Commissions as deemed appropriate by the Plan Administrator.

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